

RatingsDirect®

Summary:

Longview, Texas; General Obligation

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Summary:

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Credit Profile		
US\$23.3 mil go bnds ser 2013 due 06/01/2033		
Long Term Rating	AA+/Stable	New
Longview GO		
Unenhanced Rating	AA+(SPUR)/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' rating to Longview, Texas' series 2013 general obligation (GO) bonds. In addition, we raised our rating on the city's outstanding GO bonds to 'AA+' from 'AA', based on our recently released local GO criteria and strong conservative budget management, which has enabled the city to cash fund significant portion of the capital plan, thereby maintaining a moderate debt burden. The outlook is stable.

A pledge of the city's full faith credit secure the bonds.

The rating reflects our assessment of the following factors for the city:

- Its strong economy, which benefits from participation in the broad and diverse economy of Longview area;
- Its very strong budgetary flexibility, with 2012 audited reserves at 35.3% of general fund expenditures;
- Its strong budgetary performance, as the city has been increasing reserves only to draw them down again, but remaining above stated policies;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Very strong management with good financial policies which relies on long-term financial forecasting; and
- Adequate debt and contingent liabilities position, which is propped up by a very rapid debt amortization schedule.

Strong economy

We consider Longview's economy diverse, with access to the broad and diverse economy of its metropolitan area. The city acts as a regional trade and health services center for a large area of East Texas. It is predominantly in Gregg County and has had unemployment rates that have tracked slightly lower than that of the state and the nation at 5.4% for August 2013. The city has per-capita incomes we consider strong, reflecting the large health services sector, as well as retail trade activity. The city has projected per-capita effective buying income of 118% of the U.S. Per-capita market value for the city was strong at \$67,653 in for fiscal 2013.

Very strong budget flexibility

In our opinion, the city's budgetary flexibility remains very strong, with reserves above 35.3% of expenditures for the past several years, but the city does not expect to spend them down below the current levels over the next couple of years, although it will take a fiscal 2013 surplus and fund one-time capital in fiscal 2014. For audited fiscal 2012, general fund reserves were \$19.5 million or 35% of expenditures.

Strong budgetary performance

Longview's budgetary performance has been strong overall, in our view, with a \$1.8 million deficit in fiscal 2012 and a \$3.6 million surplus for fiscal 2013. The city expects that fund balance positions will stay around the fiscal 2012 levels as they continue to fund capital improvements out of cash.

Very strong liquidity

Supporting the city's finances is liquidity we consider very strong, with total government available cash above 185% of total governmental fund debt service. We believe the city has strong access to external liquidity. The city has issued bonds frequently during the past 15 years, including GO and revenue bonds.

Very strong management conditions

We view the city's management conditions as strong, with strong financial practices combined with a consistent ability to maintain operational costs. Management provides the board with monthly formal reports on its budget-to-actuals. In addition, the city uses formal long-term financial and capital planning. The city also has a formal debt management policy and maintains a reserve target of 15% of expenditures.

Adequate debt and contingent liability profile

In our opinion, Longview's debt and contingent liability profile is adequate, with total governmental fund debt service at 10.7% of total governmental fund expenditures, and with net direct debt at 133% of total governmental fund revenue. Amortization of the city's debt is fairly rapid, as 65.4% of debt will be retired over the first 10 years.

The city participates in the Texas Municipal Retirement System to provide pension benefits for employees. It has contributed 87.7% of the fiscal 2012 annual required contribution (ARC). The ARC pension costs for fiscal 2012 were less than 9.2% of expenditures, and they city does not anticipate they will increase substantially in the near term. The city's pension liability is 77% funded. Total pension and other postemployment benefit annual costs are equal to a manageable 9.2% of expenditures

Strong institutional framework

We consider the institutional framework score for Texas cities as strong. (See the Institutional Framework score for Texas.)

Outlook

The stable outlook reflects our view of Longview's consistent financial performance and economy, which is supported by good management. We do not expect to revise the rating in the next two years because we believe the city will maintain adequate reserves and continue to participate in its broad and diverse metropolitan area.

Related Criteria And Research

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Texas Local Governments

Ratings Detail (As Of November 12, 2013)

Ratings Detail (As Of November 12, 2013) (cont.)		
Longview GO		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
Longview go		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Upgraded
Longview go rfdg bnds		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Upgraded
Longview GO		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Upgraded
Many issues are enhanced by bond insurance.		

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